CITY OF KANKAKEE ECDA

ARE YOU READY TO BUY A HOME?

Homebuyer Education #1

TODAY'S OBJECTIVES

What you will learn about	What you can do
Setting financial goals	Set your financial goals
	Identify your personal values
How to determine if homeownership is right for you	Analyze the pros and cons of owning a home for you
	Put a date and a dollar amount on your goal of homeownership
Assessing your current financial situation	Rate your finances based on what a lender considers
Preparing for buying a home – the timeline, steps in the process, key members of the homeownership team and costs of homeownership	Make an action plan to achieve your goal of homeownership
How to determine how much you can afford to spend	Prequalify yourself
How to determine if you are ready for homeownership	Decide to pursue homeownership
	Decide how soon you can buy a home
	Identify next steps

SET FINANCIAL GOALS

- Examine your goals and values as a household

- Prioritize your goals

- Create a plan for your top goal(s)

- Put that plan into action
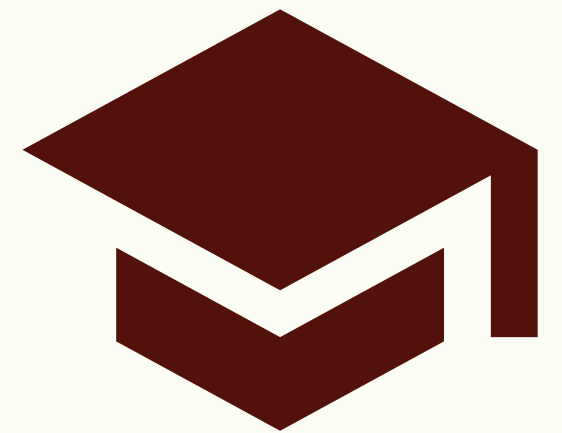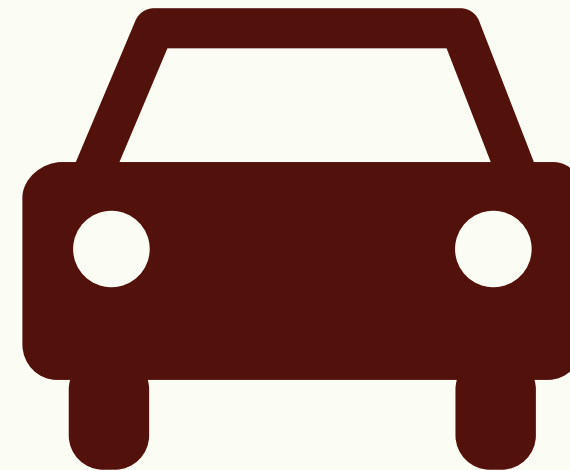
GOAL

Something you want to achieve:
- Buy a home
- Finish college
- Pay off debt

VALUE

Something fundamentally important to you; based on your feelings or experiences:
- Independence
- Consistency
- Efficiency

BENEFITS OF HOMEOWNERSHIP

- Tax Benefits

- Equity

- Control over decisions related to your living environment

- Stability

- No guarantees that property value will maintain or increase

- Maintenance and repairs

- Limited flexibility for relocation

DRAWBACKS OF HOMEOWNERSHIP

RENTING VS. BUYING HOUSING

Advantages   Disadvantages

Renting

- Easy to move
- Fewer responsibilities for maintenance
- Minimal financial commitment

- No tax benefits
- Limitations regarding remodeling
- Restrictions regarding pets, etc.

Buying

- Pride of ownership
- Financial benefits
- Lifestyle flexibility

- Financial commitment
- Higher living expenses than renting
- Limited mobility

Add SMART Details to Your Goals

S M A R T

SPECIFIC

MEASURABLE

ACTIONABLE

REALISTIC

TIMELY

Rate Your 4 C's of Credit

C	CAPITAL
C	CAPACITY
C	CREDIT HISTORY
C	COLLATERAL
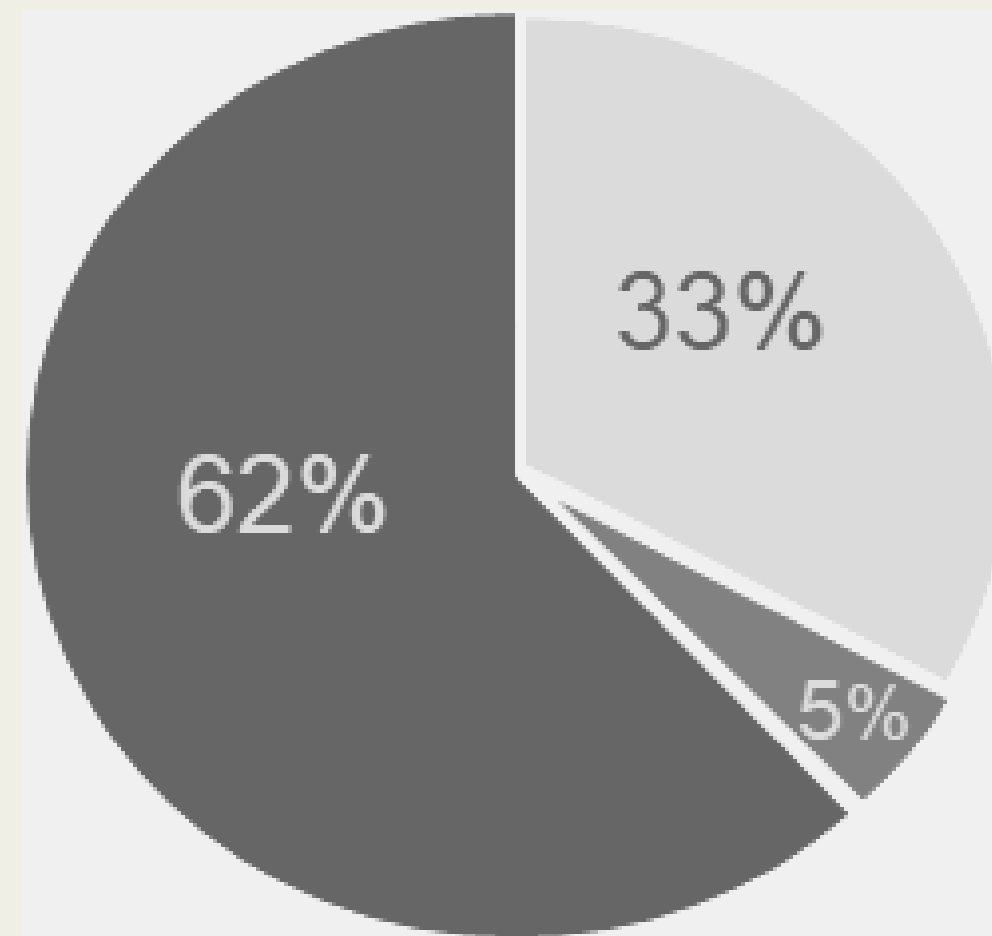
ORDER YOUR CREDIT REPORT

www.annualcreditreport.com

KANKAKEE ECDA

THE STEPS IN THE HOMEBUYING PROCESS

1. Prepare for homeownership

2. Determine how much you can afford to spend

3. Get your loan pre-approved

4. Decide what kind of home you want and need

5. Shop for a home

THE STEPS IN THE HOMEBUYING PROCESS

6. Make an offer

7. Get a professional home inspection

8. Apply for mortgage loan

9. Buy insurance and get additional inspections

10. Close the loan

Meet Your Homeownership Team

Homeownership
Counselor

Real Estate
Agent

Attorney or
Escrow Agent

Title
Insurance
Agent

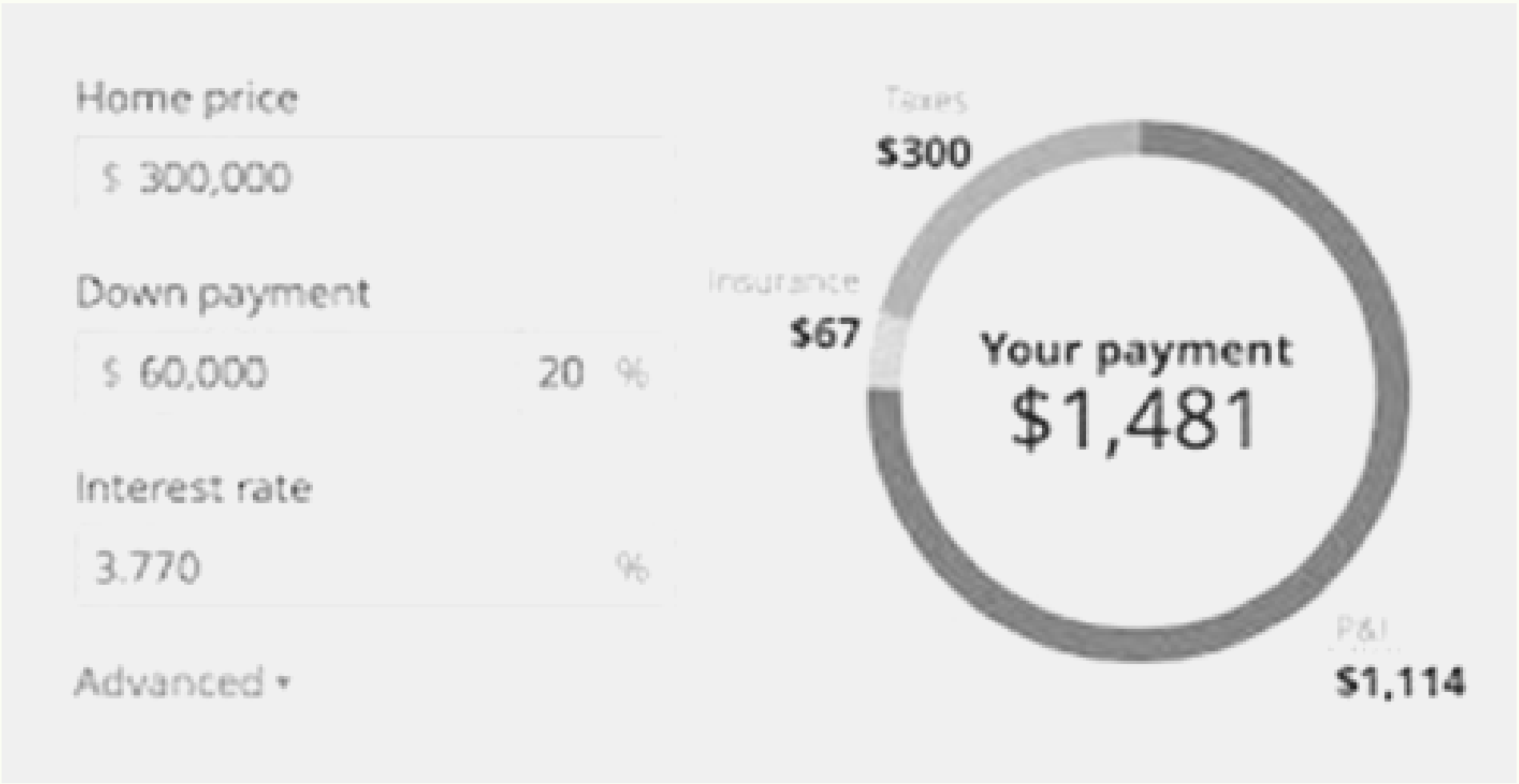Home
Inspector

Surveyor

Appraiser

Lender

Insurance
Agent

UNDERSTAND THE MORTGAGE PAYMENT

Taxes

Insurance

Principal

Interest

Home price

$ 300,000

Down payment

$ 60,000   20 %

Interest rate

3.770   %

Advanced ▾

Taxes
$300

Insurance
$67

Your payment
$1,481

P&I
$1,114

KNOW WHAT COSTS TO EXPECT

Upfront & Ongoing Costs

UPFRONT COSTS

- Down payment
- Closing costs
- Escrows/prepaids
- Reserves
- Moving costs

ONGOING COSTS

- Mortgage payment
- Utilities
- Maintenance and repairs

$75,000
($6,250/month)

5% - 10% of
monthly income

INCOME

DEBTS

2.5 - 3 times

**$187,500 -
$225,000**

HOME PRICE

HOW MUCH CAN YOU AFFORD?

Prequalify Yourself

- Evaluate your income, debt and credit

- Calculate your ratios

- Estimate your (maximum) loan amount, house price range, down payment needed and monthly payments

THIS IS NOT A GUARANTEE

WHAT'S NEXT?

Recommendations...

- Complete the full homeownership education class online
- Sign up for individual counseling session
- Complete worksheets
- Order your credit report
- Work on your action plan for the 4 C's of credit
- Develop a realistic spending plan
- Get prequalified or pre-approved by a lender
- Contact a real estate agent to shop for a home

Your financial goals and current financial standing

Pros/Cons of homeownership

Key steps and professionals

Major costs of homeownership

How lenders decide

Prequalifications

SUMMARY

QUESTIONS?

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